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Lawmakers focus on foreclosures

By Barbara Barrett

WASHINGTON As the nation settles into recession, two members of Congress pledged Tuesday to make the rising rate of foreclosures their top priority in January.

Democrats U.S. Rep. Brad Miller of Raleigh and U.S. Sen. Dick Durbin of Illinois said they will renew their push to allow bankruptcy judges to alter the financial terms of unsavory mortgages.

"Millions of middle-class families are now underwater," Miller said at a news conference at the U.S. Capitol. **"When they lose their homes to foreclosure, they lose their place in the middle class, probably forever."**

A year ago, some two million homeowners faced foreclosure.

A new report this week from Credit Suisse says eight million homeowners could face foreclosure in the next four years, representing 16 percent of all mortgages.

"The foreclosure problem continues to get worse," Miller said.

The lawmakers introduced legislation a year ago that would allow bankruptcy judges to modify mortgage terms for families facing the loss of their homes.

Miller and Durbin tried to get their ideas incorporated into the economic stimulus package that

passed Congress this fall, but opposition from the White House and some Republicans kept the program out of the bill.

The stimulus bill passed without the bankruptcy provision. But many liberal Democrats said at the time that they wanted more work done to help homeowners struggling with foreclosure.

Miller and Durbin will try again to get their bill into a stimulus package being considered for January.

Helping those families, Durbin said, helps neighborhoods too, because foreclosures bring down area property values.

"(Foreclosures) are going to take the lifeblood out of neighborhoods," he said.

Durbin and Miller's legislation was fought aggressively by the mortgage banking industry, and lenders will fight it again next year, said John Mechem, spokesman for the Mortgage Bankers Association of America in Washington.

He said allowing bankruptcy judges to "cram down" the value of a house, as the procedure is known, increases risk for lenders. They, in turn, would pass the costs onto other homebuyers in higher fees or lending rates.

"It's going to raise costs against consumers," Mechem said. "Lenders would price that risk into all new loans moving forward."

Miller said the election of more Democrats in the House and Senate, along with President-elect Obama, could help the legislation's chances next year.